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SUBJECT: SERBIA: ELECTRICITY AND KOSOVO

SUMMARY

1. (U) Recent discussions with the head of a large electricity trading firm and others indicate Serbia does not plan to break electricity connections with Kosovo. Serbia, however, remains firm in only dealing with UNMIK on Kosovo energy issues, and has moved away from electricity "donation" to seeking to operate an electricity company in Kosovo. End Summary.

No Technical Preparations to Cut Electricity

2. (SBU) A/DCM met with the head of electricity trading firm EFT, Vuk Hamovic, on December 12 to discuss electricity trading in the region and specifically with regard to Kosovo. EFT is the largest corporate trader of electricity in the Balkans. According to Hamovic, he sees no indication on the technical side that Serbia will cut off electrical connections in Kosovo. He said that on the system management side, they have seen no indications of preparations to do this and they would be very concerned if they did expect Serbia to take this action. EFT could lose millions of dollars if they were unable to deliver on electricity supply contracts with KEK in Kosovo.

External Pressure if Electricity is Cut Off

3. (SBU) Hamovic said that it was technically possible to cut the connection between the Serbian grid and Kosovo's grid at the Ibar, but that doing this would have a significant effect on the stability of the grid within Serbia and in the region. He noted that Romania and Bulgaria's system operators would put pressure on Belgrade if the grid's stability were negatively affected by cutting off Kosovo.

UNMIK Discussions on Electricity "Donation"

4. (SBU) UNMIK representatives met with Energy Minister Popovic on December 5 to continue discussions on electricity donations to Kosovo-Serbs. Fayeze Risheg of UNMIK Belgrade told A/DCM following the meeting that Popovic did not react directly to UNMIK's proposed agreement for energy donation, saying that it was "with the government." Popovic focused instead on the Energy Ministry's desire to begin billing Serbian customers via an entity other than KEK. Popovic asserted that billing of Kosovo-Serb customers was needed to drive down consumption. Popovic said that the Ministry would like to establish a supply company to bill customers served under the "donation" scheme, but this company could be established and registered only through a process that dealt with UNMIK, and not the Provisional Institutions.

## Energy Community Meeting

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¶5. (SBU) Belgrade hosted the regional Energy Community Ministerial meeting December 17-18. Serbia is the current President of the Energy Community and the incoming President is UNMIK. USAID and UNMIK representatives who attended the meetings told A/DCM that there were no difficulties between the Serbian and UNMIK delegations. During Popovic's December 5 meeting with UNMIK he stressed that Serbia could only accept UNMIK as Pristina's representative in the Energy Community, and "not any other entity that Brussels might be thinking of."

¶6. (U) This theme, that UNMIK is the only entity the Serbian government will deal with, was reiterated to Poloff during a December 20 meeting with Kosovo Ministry State Secretary Porokovic. Porokovic added that Belgrade could not deal with an EU Mission, since Belgrade "could not recognize such an entity" without UN Security Council approval.

Comment

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¶7. (SBU) Politics remain a key factor in any future Serbian government decisions on electricity flows to Kosovo, but it was important that politically connected EFT does not expect electricity cuts. Risheg commented to A/DCM that no Serbian government official has ever directly threatened to cut off electricity in any of their public statements or in his meetings on the issue. This tracks with Post experience, including high level meetings where the issue of electricity has been dismissed. At the same time, the Serbian government is setting out firm positions on dealing only with UNMIK and is making clear they do not plan to deal with EU-based institutions in Kosovo. End Comment.

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MUNTER